

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>County of St. Clair</b>	County <b>St. Clair</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>6/6/05</b>	Date Accountant Report Submitted to State: <b>9/27/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations **Financial Statements Submitted on 6-30-05**

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed		
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Stewart, Beauvais &amp; Whipple PC</b>			
Street Address <b>1979 Holland Avenue</b>	City <b>Port Huron</b>	State <b>MI</b>	ZIP <b>48060</b>
Accountant Signature <i>Stewart, Beauvais &amp; Whipple</i>		Date <b>9/27/05</b>	

**ST. CLAIR COUNTY, MICHIGAN**

**SUPPLEMENTARY INFORMATION TO  
BASIC FINANCIAL STATEMENTS**  
**(Including Supplementary Information on Substance Abuse Programs)**

**(FEDERAL AWARDS)**

**FOR THE YEAR ENDED DECEMBER 31, 2004**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



# ST. CLAIR COUNTY, MICHIGAN

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**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Commissioners  
of St. Clair County  
St. Clair, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Clair County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements. Those financial statements are the responsibility of St. Clair County's management. Our responsibility is to express opinions on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise St. Clair County, Michigan's basic financial statements. The Schedule of Federal Expenditures of Federal Awards presented on pages 6 through 9 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. The information in this schedule has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

June 6, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
of St. Clair County  
St. Clair, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Clair County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon, dated June 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financing Reporting**

In planning and performing our audit, we considered the County of St. Clair, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of St. Clair, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as 04-1 through 04-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the County of St. Clair, Michigan, in a separate letter dated June 6, 2005.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of St. Clair, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under ***Government Auditing Standards***.

However, we noted certain immaterial instances of noncompliance, which we have reported to the management of St. Clair County, Michigan in a separate Management Letter on Compliance Issues dated June 6, 2005.

This report is intended solely for the information and use of the audit committee, management and the County Board of Commissioners of St. Clair County, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 6, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners  
of St. Clair County  
St. Clair, Michigan

**Compliance**

We have audited the compliance of the County of St. Clair, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County of St. Clair, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of St. Clair, Michigan's management. Our responsibility is to express an opinion on the County of St. Clair, Michigan's compliance based on our audit.

St. Clair County, Michigan's financial statements include the operations of the St. Clair County Mental Health Authority, a discretely presented component unit of the County, which received \$637,039 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2004. Our audit, as described below, did not include the operations of the St. Clair County Mental Health Authority. It had a separate audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of St. Clair, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of St. Clair, Michigan's compliance with those requirements.

In our opinion, the County of St. Clair, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

## Internal Control Over Compliance

The management of the County of St. Clair, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of St. Clair, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the and the County Board of Commissioners of St. Clair County, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 6, 2005



**ST. CLAIR COUNTY, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed Through the Michigan State University Extension:</u>			
Plant and Animal Disease - Outreach Education	10.025	N/A	\$ 1,398
Food Stamps (a)	10.551	N/A	770
Cooperative Forestry Assistance	10.664	N/A	3,000
School Breakfast Program (b)	10.553	740008001A	14,956
National School Lunch Program (b) -	10.555	740008001A	<u>21,749</u>
Total Nutrition Cluster			<u>36,705</u>
<u>Passed Through the Michigan Department of Community Health:</u>			
Special Supplemental Food Program for Women, Infants, and Children - WIC	10.557	N/A	<u>418,120</u>
<u>Passed Through the Great Lakes Commission</u>			
Soil and Water Conservation	10.902	N/A	<u>33,333</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>493,326</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Passed Through Michigan State Housing Development Authority:</u>			
Community Development Block Grant	14.228	N/A	<u>17,500</u>
<u>Passed Through Michigan Department of Community Health</u>			
Lead based paint abatement (a)	14.900	N/A	<u>2,303</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>19,803</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<u>Passed Through The Michigan Department of State Police:</u>			
Federal Emergency Management Agency- Supplement Grant	16.007	N/A	<u>57,379</u>
<u>Passed Through the Michigan Family Independence Agency</u>			
Juvenile Accountability Block Grant	16.523	JAIBG-03-74001	11,429
		JAIBG-04-74001	<u>35,499</u>
			<u>46,928</u>

**ST. CLAIR COUNTY, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF JUSTICE (Cont'd):</u>			
<u>Direct Program - through Department of Justice:</u>			
Local Law Enforcement Block Grant	16.592	N/A	\$ 38,413
State Criminal Alien Assistance Program	16.606	N/A	18,011
Bulletproof Vest Partnership Program	16.607	N/A	4,383
COPS MORE Grant	16.710	2002CLWX0039	306,245
Total Direct Programs - through Department of Justice			367,052
<u>Passed Through The Michigan Department of State Police:</u>			
Enforcing Underage Drinking Laws Program	16.727	N/A	7,894
TOTAL U.S. DEPARTMENT OF JUSTICE			479,253
<u>U.S. DEPARTMENT OF LABOR:</u>			
<u>Passed Through The Michigan Department of Labor and Economic Growth:</u>			
Reed Act -	17.225		
Unemployment Insurance		N/A	35,577
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Passed Through Southeast Michigan Council of Governments</u>			
Highway Planning and Construction -	20.205		
St. Clair County Transit Study		N/A	63,584
<u>Passed Through Michigan Department of State Police</u>			
<u>Office of Highway Safety Planning -</u>			
Drive Michigan Safety Task Force	20.600	N/A	51,182
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			114,766
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Passed Through the Michigan Department of Environmental Quality:</u>			
Nonpoint Source Implementation Grant	66.460		
Watershed Protection and Flood Prevention		N/A	72,140
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>			
<u>Passed Through The Michigan Department of State Police</u>			
Hazard Mitigation Grant	83.548	N/A	163
<u>Passed Through The Michigan Department of Labor and Economic Growth:</u>			
Emergency Management Performance Grants -			
Homeland Security - CERT	83.564	MCSC/CERT/F-17	15,945
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			16,108

**ST. CLAIR COUNTY, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through the Michigan Department of Community Health</u>			
Safe and Drug Free Schools and Communities State Grants - Summer Team Program	84.186B	20011728	\$ 30,405
<u>Passed Through Michigan State University Cooperative Extension</u>			
Twenty-First Century Community Learning	84.287	N/A	57,317
TOTAL U.S. DEPARTMENT OF EDUCATION			87,722
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through the Michigan State University Extension:</u>			
Anchor Bay Community Foundation	93.558		121
Temporary Assistance for Needy Families (TANF) - Non-Custodial Parent Program	93.558	N/A	2,611
<u>Passed Through the Michigan Family Independence Agency:</u>			
Child Support Enforcement (Title IV-D) - Cooperative Reimbursement Program - Medical Support	93.563	CS/MED -74001	79,190
Medical Incentive		N/A	302,464
Friend of Court (a)		CS/FOC -74001	1,789,783
Prosecuting Attorney (a)		CS/PA -74002	124,703
			2,296,140
Child Support Enforcement (Title IV-E) Prosecuting Attorney (a)	93.658	N/A	14,501
Medical Assistance Program - Children Special Health Care (a)	93.778	N/A	26,115
Total Passed Through the Michigan Family Independence Agency			2,339,367
<u>Passed Through the Michigan Department of Community Health:</u>			
Family Planning Services (a)	93.217	N/A	100,427
Immunization Grants	93.268		
Vaccine Doses		N/A	524,049
Child Immunization		N/A	88,992
Immunization - Field Services		N/A	70,586
			683,627
Centers for Disease Control-Investigations and Technical Assistance- Bioterrorism Grant	93.283	N/A	289,449

# ST. CLAIR COUNTY, MICHIGAN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Cont'd):</u>			
<u>Passed Through the Michigan Department of Community Health:</u>			
State Children Insurance Program			
MI Child Marketing and Outreach (a)	93.767	N/A	\$ 3,567
HIV/Aids Counseling and Testing	93.940	N/A	22,318
Block Grants for Prevention and Treatment of Substance Abuse (a)	93.959		
Coordination Agency		391B8000196	161,775
Treatment and Prevention - Basic		391B8000196	830,119
Treatment - Women and Family Specialty		391B8000196	120,562
Treatment - SIG		391B8000196	82,707
Adult Benefit Waiver		391B8000196	55,373
			1,250,536
Maternal and Child Health Services Block Grant -	93.994		
Family Planning (a)		N/A	21,652
Primary Care Dental		N/A	33,796
Outreach		N/A	118,562
			174,010
Prevention Health Services STD Control (a)	93.997	N/A	25,417
Total Passed Through the Michigan Department of Community Health			2,549,351
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			4,888,839
<u>U.S. DEPARTMENT OF HOME LAND SECURITY</u>			
<u>Passed Through Michigan Department of State Police:</u>			
State Homeland Security Grant Program	97.004		230,381
Emergency Management Performance Grant	97.042		28,039
State and Local All hazards Emergency Operations Planning	97.051		30,259
Community Emergency Response Team	97.054		14,716
TOTAL U.S. DEPARTMENT OF HOME LAND SECURITY			303,395
<b>Total Federal Awards</b>			<b>\$ 6,510,929</b>

See Notes to Schedule of Expenditures of Federal Awards

# ST. CLAIR COUNTY, MICHIGAN

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of St. Clair and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The St. Clair County Mental Health Authority is reported as a discretely presented component unit in the financial statements of St. Clair County as of and for the year ended December 31, 2004. The Authority expended \$637,039 in federal awards, however, was not reported in the Schedule of Expenditures of Federal Awards because a separate A-133 audit was performed.

The St. Clair County Road Commission is reported as a discretely presented component unit in the financial statements of St. Clair County as of and for the year ended December 31, 2004. The Road Commission reported \$643,311 in federal awards; however, a separate A-133 audit was not performed because the expenditures were administered by the Michigan Department of Transportation.

### NOTE 2 - SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE:

The following descriptions identified below as (a) and (b) represent explanations that cross reference to amounts and headings of the Schedule of Expenditures of Federal Awards.

- (a) Reimbursements of these contracts are not funded 100% by the Federal Government. The revenues reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective reimbursements and are a percentage of total contract expenditures as summarized below:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Food Stamps	10.551	50.00 %
Coop. Reimbursement & Medical Support Enforcement	93.563	66.00
Family Planning Services	93.217	75.00
	93.994	16.00
Block Grants for Prevention & Treatment of Substance Abuse - Coordinating Agency	93.959	68.00 %
Treatment and Prevention – Basic		80.00
Child Protection Investment Title IVE	93.658	50.00
State Children Insurance Program -	93.767	69.12
Medical Assistance Program –		
Children Special Health	93.778	46-50
Substance Abuse	93.778	55.42/59.31
Prevention Health Services STD Control	93.997	66.91

- (b) The reimbursements for the School Breakfast and National School Lunch Program are determined by applying approved reimbursement rates to the number of allowable breakfast and lunches served during each reporting period. Expenditures are reported equal to revenue.

# ST. CLAIR COUNTY, MICHIGAN

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2004

### NOTE 3 – NUTRITION CLUSTER:

#### Supplementary Data:

	Accrued Revenue at Jan. 1, 2004	Prior Years Expenditures	Current Years Expenditures	Current Years Cash Receipts	Accrued Revenue at Dec. 31, 2005
Juvenile Center - Breakfast -					
51970	\$ -	\$ -	\$ 3,352	\$ 2,308	\$ 1,044
41970	878	3,119	11,604	12,482	-
31970	-	10,757	-	-	-
Total CFDA #10.553	<u>\$ 878</u>	<u>\$ 13,876</u>	<u>\$ 14,956</u>	<u>\$ 14,790</u>	<u>\$ 1,044</u>
Sec 4 - Total Servings -					
51950	\$ -	\$ -	\$ 526	\$ 362	\$ 164
41950	138	497	1,713	1,851	-
31950	-	1,715	-	-	-
Sec 11 - Free and Reduced -					
51960	-	-	4,642	3,199	1,443
41960	1,216	4,311	14,868	16,084	-
31960	-	15,011	-	-	-
Total CFDA #10.555	<u>\$ 1,354</u>	<u>\$ 21,534</u>	<u>\$ 21,749</u>	<u>\$ 21,496</u>	<u>\$ 1,607</u>

\*Agrees with amounts reported on the Michigan Department of Education Grant Auditors Report - Form R7120

### NOTE 4 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The following schedule reconciles the federal/state intergovernmental revenues reported in the December 31, 2004, basic financial statements for the primary government and the intergovernmental revenues reported in the various discretely presented component units 2004 financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards.

	General Fund	Other Governments Funds	Enterprise Funds	Discretely Presented Component Units	Total
Federal/State					
Revenue per basic financial statements	\$ 7,731,436	\$ 7,201,304	\$ 341,507	\$ 85,470,357	\$ 100,744,604
Less: State Intergovernmental revenue	( 4,849,138)	( 3,678,309)	( 341,507)	( 84,149,196)	( 93,018,150)
Federal revenue per basic financial statements	2,882,298	3,522,995	-	1,321,161	7,726,454
Add (less) reconciling items identified as (a) - (c)					
(a)	-	-	-	( 643,311)	( 643,311)
(b)	-	-	-	64,825	64,825
(c)	-	-	-	( 637,039)	( 637,039)
	<u>\$ 2,882,298</u>	<u>\$ 3,525,995</u>	<u>\$ -</u>	<u>\$ 105,636</u>	<u>\$ 6,510,929</u>

# ST. CLAIR COUNTY, MICHIGAN

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2004

### NOTE 4 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – (cont'd):

The following descriptions identified below as (a) - (c) represent explanations of the reconciling amounts that cross reference to amounts of the Reconciliation to Schedule of Expenditures of Federal Awards:

- (a) It is required by the Michigan Department of Transportation that the County report total federal financial assistance for Road Improvement Programs. However, only the federal financial assistance applicable to expenditures for work performed or contracted by the County is required to be audited for compliance under the Single Audit Act through County procurement. The reason for this requirement is that the County is required to have accounting and administrative control over these expenditures while the balance is administered by the Michigan Department of Transportation.
- (b) The amount represents the Federal portion of amount received from the Blue Water Area Transportation Commission reported in the St. Clair County Community Mental Health Authority as intergovernmental-local sources.
- (c) The amount represents the Federal dollars audited under separate single audit for the St. Clair County Community Mental Health Authority. A separate single audit has been issued.

### NOTE 5 - SUBRECIPIENTS:

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of St. Clair, Michigan provided federal awards to subrecipients as follows:

<u>Federal Award</u>	<u>CFDA#</u>	<u>Amount</u>
Block Grants for prevention and treatment of substance abuse	93.959	\$ 950,681
Projects of Regional and National significance	93.243	82,707
Adult Benefit Waiver	93.767	55,373

**ST. CLAIR COUNTY, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Section I – Summary Of Auditor’s Results:**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal controls over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes      x   no

Reportable condition(s) identified not considered to be material weaknesses?   x   yes    \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      x   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes      x   no

Reportable condition(s) identified not considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A – 133, Section 510(a)? \_\_\_\_\_ yes      x   no

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #10.557	Women, Infant and Children
CFDA #16.710	COPS MORE Grant
CFDA #93.268	Immunization Grants
CFDA #93.563	Child Support Enhancement
CFDA #93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      x   no



## **Section II – Financial Statement Findings:**

The following three findings are considered to be reportable conditions on internal control over financial reporting that are not considered to be material weaknesses.

### **04-1**

#### **Program – Federal Award Programs in General**

##### **The procedures for approving payables should be enhanced.**

As you know during the year there were a number of invoices paid by the County that the Board of Commissioners has indicated that they had not approved and were not aware of. Most of these expenditures were submitted and/or approved by the prior County Administrator. Although the County has controls in place whereby invoices are first approved by department heads and then reviewed by the controller's offices before being paid, it is apparent that these controls are not sufficient.

We recommend that the approval process for invoices in the controller's office be reviewed and formalized. This should include formalizing the documentation that is required before invoices are forwarded for processing and should include reviewing for appropriate department head approvals, purchase orders, bidding documentation if applicable, approved contracts, etc. (Some but not all of these procedures are currently being preformed). Because of the large volume of invoices that are processed, the County may elect different levels of approval based on the dollar amount of the invoice. Once this is completed, a list of invoices should be submitted to the Board of Commissioners for their review and approval. In certain instance, to prevent penalties, take advantage of discounts, etc. some invoices may need to be approved after they are paid.

If approval by the Board of Commissioners is not practical, we recommend that the County Administrator review and approve a listing of all invoices presented for payment. In addition if the County Administrator is the person initiating the purchase order or invoices, then a listing of all invoices initiated by the County Administrator over \$5,000 be presented to the Board of Commissioners for their approval.

### **04-2**

#### **Program – This Financial Statement Finding does not have an effect on Federal Awards**

##### **All contracts over a certain amount should be approved by the Board of Commissioners.**

During the year, as you are already aware, there were certain contracts approved for the jail construction and wetland banking that were not approved by the Board of Commissioners. In addition during our testing, we noted that certain contracts are signed by department heads in the normal course of operating their departments that are not submitted to the Board of Commissioners for their approval.

We recommend that a formal policy be adopted that specific the level of approval that is required for contracts. This could include allowing the department head to approve and sign any contract up to a certain amount or exceed one year, for instance up to \$5,000 or \$10,000, assuming it's in the budget, allowing the County Administrator to approve and sign contracts exceeding the department head allowed amount but less then a higher amount, for instance up to \$25,000 or \$50,000 and any all contract over the County Administrator amount, be approved and signed by the Board of Commissioners. However, regardless of the level of approval needed, the original contract should be on file with the Controllars office.

**Program – This Financial Statement Finding does not have an effect on Federal Awards**

**The County should adopt procedures to insure compliance with the County’s procurement requirements.**

As you are aware the County has a formal purchasing policy that requires different levels of procurement for purchases of different amounts. For instance individual purchases of \$2,500 to \$10,000 require a minimum of three (3) telephone quotes with a written quote obtained for the winning bidder, \$10,000 to \$50,000 requires three formal written bids, and sealed bids for all amounts over \$50,000. In addition, the County policy requires that if “single source bids” are utilized that the reason be fully researched and documented and that it be approved by both the department head and the purchasing department. During the audit we noted instances where purchases were made but procurement documentation could not be provided. Also contracts were awarded using “single source bid” but the required documentation was not available. In many instances this is complicated, by the fact the each department can perform there own purchasing.

We recommend that the County institute procedures to insure that the County is meeting the procurement requirements. The Board of Commissioners may want to consider instituting Centralized Purchasing. This not only would increase the controls over the purchasing process but could also save the County a considerable amount of money. If Centralized Purchasing is not utilized, then a summary of the procurement process should be submitted to the County Controller documenting that it was preformed before invoices are paid.

In addition, the County procurement procedures require bidding if individual items are over the dollar threshold, but does not addresses large purchases of small items. We recommend that bids be taken for normal supply and inventory items that may not meet the individual dollar threshold but may accumulate be large dollars over a given period. For instance if the County regularly purchase \$25,000 or \$50,000 or more of a particular type of material or item in a given year, that formal bids be obtained ever 3 to 5 years.

**Section III – Federal Award Findings And Questioned Costs:**

There were no Federal Award Findings and Questioned Costs required to be reported by Section 510(a) of OMB Circular A-133.

**Section IV – Prior Year Findings;**

A summary schedule of the prior year financial statement findings has been prepared.

**MANAGEMENT LETTER RELATING TO COMPLIANCE ISSUES**

To the Board of Commissioners  
of St. Clair County  
Port Huron, Michigan

As you know, we have recently completed the our audit of the financial statements and Schedule of Expenditures of Federal Awards (Single Audit under OMB Circular A-133) of the County of St. Clair, Michigan as of and for the year ended December 31, 2004. In connection with the audits, we believe certain changes in your accounting and administrative procedures would be helpful in further improving management's control over compliance requirements for federal programs. As noted in our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, dated June 6, 2005, these conditions described below are not considered material weaknesses.

**Controls over Federal and State Grants.**

Responsibility for the County to be able to provide the required information for the preparation of the Schedule of Expenditures of Federal Awards that is presented in the annual Single Audit has been increased with the current changes in auditing requirements.

For 2004, the responsibility for federal and state grants was fragmented throughout the County. Information related to grants was often difficult to follow through an audit trail. Evidence of the source of the grant, percentage of federal participation, federal CFDA number, compliance requirements and status of expenditures and/or revenues was especially difficult to determine for the smaller and newer grants.

During 2005, internal monitoring by the finance department has increased controls over federal programs. However, we recommend to assist in making the monitoring of programs more efficient, that individual departments and/or individuals responsible for the grants should be required to formally provide the above required information to the finance department and to timely reconcile the reporting to the general ledger.

**Controls over Vaccine Inventory.**

It was difficult during the audit of the Childhood Immunization Grant – Vaccine Dose Program, to verify the reported vaccine usage. Since there were no formal physical inventory procedures to assure that the amount of vaccines on hand at the end of the month was correct.

We recommend that formal procedures be established for the physical inventory of the Childhood Immunization Grant – Vaccines to increase controls over the reporting of the vaccine usage. These procedures should include maintenance of a count sheet that is verified by two individuals.

**Controls over documentation of the time charged to federal program.**

The federal government through OMB Circular A-87 has stated “where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employer or supervisory official having first hand knowledge of the work performed by the employee.”

During our audit of the major programs, we noted that federal program certifications for those employees who worked solely on one were not always available. We believe that even though it may be obvious that due to the individual’s position that they work 100% on one specific federal program, certifications must be obtained to be in compliance with OMB Circular A-87.

We recommend to meet the requirement of OMB Circular A-87 that certification be obtained at least semi-annually for all those employees who work solely on one federal program.

These conditions were considered in determining the nature, timing and extent of the audit tests applied in our OMB Circular A-133 audit for the year ended December 31, 2004. We have not considered internal control over compliance since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and control over compliance, as well as financial reporting.

This report is intended solely for the information of the management and the Board of Commissioners of St. Clair County, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss these items with you and to provide assistance in the implementation of improvements.

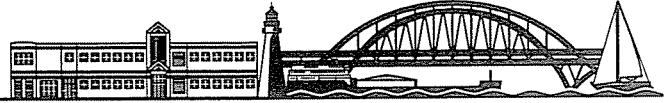
Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvoir Whipple".



## COUNTY OF ST. CLAIR

Office of the Administrator/Controller



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VISION: We are the leader in  
innovative, customer-centered  
government.

MISSION: To continually  
improve public services that  
enhances the community for  
citizens and future generations  
of St. Clair County.

To: Federal Grantors and Flow-Through Agencies

From: Robert C. Kempf, Deputy Controller/Finance Director

Date: September 7, 2005

### **Financial Statement Finding**

2003-01 Over reporting to Michigan Department of Health Dose Program  
expenditures for Childhood Immunization Grant-Vaccine

After the 2003 audit, additional controls were put into place to assure  
accurate reporting. The 2004 audit had an immaterial recommendation to  
further improve these controls, which are being implemented in 2005.

**SUPPLEMENTARY INFORMATION ON SUBSTANCE ABUSE  
PROGRAMS REQUIRED BY MICHIGAN DEPARTMENT  
OF COMMUNITY HEALTH – CENTER FOR SUBSTANCE ABUSE  
SERVICES**

**ST. CLAIR COUNTY**  
**THUMB REGION SUBSTANCE ABUSE SERVICES**  
**SUMMARY OF BUDGET, REPORTED AND AUDITED AMOUNTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Category	Budgeted	Reported	Partially Audited**	Variance Between Report and Audit	Local Match
Central Administration					
1 Salaries and Wages	\$ 195,704	\$ 178,288	\$ 178,288	\$ -	
2 Fringe Benefits	83,526	78,314	78,314	-	
3 Travel	7,720	7,890	7,850	( 40)	
4 Supplies and Materials	5,700	7,596	8,684	1,088	
5 Contractual	40,000	-	-	-	
6 Equipment	1,500	-	-	-	
7 Other Expenditures	18,855	19,188	21,104	1,916	
8 Indirect Cost	53,195.00	49,056	49,056.00	-	
9 Other cost distributions	-	-	-	-	
10 <b>Sub-Total:</b> Central Admin.	406,200	340,332	343,296	2,964	
11 <b>Less:</b> Central Admin. Fee & Collections	2,000	1,210	1,210	-	1,210
12 <b>Less:</b> Central Admin. Medicaid	80,000	-	2,964	2,964	
13 Net Central Administration Expenditures	324,200	339,122	339,122	-	
14 <b>Add:</b> Categorical Grants Administered Centrally					
15 Categorical Grant A	-	-	-	-	
16 Categorical Grant B	-	-	-	-	
17 Categorical Grant C	-	-	-	-	
18 <b>Subtotal</b> -Central and categorical grants expenditures	324,200	339,122	339,122	-	
19 <b>Gross</b> Contractor's expenditures	3,381,257	2,449,618	2,911,718	462,100	
20 <b>Less:</b> Subcontractor's fees and collections	950,029	272,619	272,619	-	272,619
21 <b>Less:</b> Medicaid (PEPM)	328,641	387,683	385,958	( 1,725)	
22 <b>Less:</b> Medicaid saving C/O Last Year	23,439	23,439	23,439	-	
23 <b>Net</b> Subcontractor's Expenditures	2,079,148	1,765,877	2,229,702	463,825	
24 <b>Totals</b> (Lines 18 & 23)	2,403,348	2,104,999	2,568,824	463,825	
25 <b>FUNDS REQUIRED</b>	2,403,348	2,104,999	2,568,824	463,825	
26 <b>Less:</b> Local PA Funding (State Contract)	-	-	-	-	-
27 Local PA2 (Not Reported on FSR)	-	-	463,825	463,825	463,825
28 <b>Less:</b> Other Local Audited	275,566	474,451	474,451	-	474,451
29 <b>Less:</b> Direct Federal -ABC	-	-	55,373	55,373	-
30 <b>Less:</b> Other	628,416	156,957	101,584	( 55,373)	101,584
31 Amounts to be paid by state agreement	1,499,366	1,473,591	1,473,591	-	
32 Total DCH Payments to the CA	1,499,366	1,473,591	1,473,591	-	
33 (Over)/Under Payment	\$ -	\$ -	\$ -	\$ -	
34 Local Funds Total					\$ 1,313,689
35 Local Match Requirement [(Expenditures less Medicaid and Direct Federal) * 10%] [(Line 10 + 15 + 16 + 17 + 19 + 12 + 21 + 22 + 29) * 10%]					278,728
36 Local Match (Shortfall)/Excess					\$ 1,034,961

**ST. CLAIR COUNTY**  
**THUMB REGION SUBSTANCE ABUSE SERVICES**  
**SCHEDULE OF EXPENDITURES AND FUNDING SOURCES BY PROGRAM**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Program	Final Budget (Net of Fees and Medicaid)	Reported (FSR) Net of Fees and Medicaid	Audited Expenditures				Audited Funding Sources					Total Funding	Variance ( Audited- Reported)	Questioned Cost (Audited- Funding)
			Gross Amount	Less Medicaid	Less Fees	Net Amount	State	PA2	Local	Direct Federal (ABW)	Other			
Central Administration	\$ 324,200	\$ 339,122	\$ 343,296	\$ 2,964	\$ 1,210	\$ 339,122	\$ 262,257	\$ -	\$ 76,865	\$ -	\$ -	\$ 339,122	\$ -	\$ -
Prevention	530,534	534,140	691,584	-	-	691,584	333,120	157,444	145,638	-	55,382	691,584	( 157,444)	-
Treatment	1,194,106	997,652	1,877,692	339,637	269,062	1,268,993	660,896	271,341	237,460	55,373	43,923	1,268,993	( 271,341)	-
Women's Specialty	222,703	128,055	236,412	69,760	3,557	163,095	111,288	35,040	14,488	-	2,279	163,095	( 35,040)	-
SIG State Incentive	111,527	85,752	85,752	-	-	85,752	85,752	-	-	-	-	85,752	-	-
SDA	1,828	1,828	1,828	-	-	1,828	1,828	-	-	-	-	1,828	-	-
HIV / AIDS	18,450	18,450	18,450	-	-	18,450	18,450	-	-	-	-	18,450	-	-
Grand Total	<u>\$ 2,403,348</u>	<u>\$ 2,104,999</u>	<u>\$ 3,255,014</u>	<u>\$ 412,361</u>	<u>\$ 273,829</u>	<u>\$ 2,568,824</u>	<u>\$ 1,473,591</u>	<u>\$ 463,825</u>	<u>\$ 474,451</u>	<u>\$ 55,373</u>	<u>\$ 101,584</u>	<u>\$ 2,568,824</u>	<u>\$ ( 463,825)</u>	<u>\$ -</u>

## Reconciliation of PA2 funds:

Beginning balance	\$ 5,284
Additions	470,401
Contractual Expenditures	-
Expenditures Not Reported on FSR	( 463,825)
Ending Balance	<u>\$ 11,860</u>

## Reconciliation of Medicaid Managed Care funds (PERM)

PEPM Payment received	\$ 433,145
Medicaid savings (Carry Over )	23,439
Expenditures	( 412,361)
Medicaid Savings (Carry Over)	( 44,223)
Laps (Returned to DCH)	<u>\$ -</u>



## MANAGEMENT LETTER

To the Board of Commissioners  
St. Clair County  
Port Huron, Michigan

As you know, we have recently completed our audit of the basic financial statements of the County of St. Clair, Michigan as of and for the year ended December 31, 2004. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the County's recordkeeping system. These suggestions are a result of our evaluation of internal accounting control for audit purposes and our discussions with management. As noted in the **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**, dated June 6, 2005, the conditions described below are not considered reportable conditions or material weaknesses.

**Formal collection procedures should be adopted for collection of landfill fees and any "Project Pricing" should be formally approved by the County Administrator and/or the Board of Commissioners.**

We noted that the County does not have not formal collection procedures for the collection of landfill fees. In addition, we noted a couple of instances where the standard landfill fees were adjusted because of the volume of material that the Landfill was receiving or that material were from another municipality ("Project Pricing").

To increase controls we recommend that formal collection procedures be adopted that outlines the procedures that are to be followed in the collection of receivables. These should include how often billing are sent, interest and penalties that are to be added, when they should be turned over for collection, the procedures to write-off accounts, etc. Also any "Project Pricing" should be formally approved by the County Administrator and/or the Board of Commissioners.

**The County should consider conducting detail reviews of internal controls at each department.**

As you know a considerable amount of revenues are collected at the individual departments, which is then periodically transmitted to the County Treasurer. Although we review internal controls of most departments during your annual audit, it is designed to determine weaknesses that would be material to the County as a whole.

We recommend that the County create an internal audit function to periodically perform detailed reviews of department internal controls. This should include documentation of types of revenues collected, documentation of billing and collection procedures, developing various analytical procedures to monitor annual revenues, and reporting to the department heads and Board of Commissioners the results. Because this would be a very large endeavor to document each department on an annual basis, the County could select two or three departments annually.

**The County should consider creating a “hotline” to report any suspected fraud or abuses.**

It is management’s primary responsibility to design systems to prevent and detect fraud and abuse within any organization. In a number of studies involving fraud and abuse cases, it was noted that once it was discovered that a number of the organizations employees indicated that they were aware that something was going on; however they never came forward since no one ever asked them.

In light of this, the accounting profession now requires that we talk to employees outside the accounting process. However, because of the number of employees the County employs, the number that we talk too is only a very small fraction of the County’s employees. In addition, since we usually are only asking these questions once a year employees may become aware of something during the year and have no one they believe they can report it to.

We are recommending that the County’s management continually communicate that if anyone suspects fraud or abuses are occurring, that they report it to the authorizes individuals within the organization. The County should design specific individuals and assure the employees that any reports will be kept strictly confidential.

**The Juvenile and Circuit Court Restitution subsidiary ledgers should be reconciled to the general ledger on a monthly basis.**

A detailed subsidiary ledger is generated for restitution receivable; however, the subsidiary ledger is not periodically balanced to the County’s general ledger. We recommend that the subsidiary ledger and general ledger be reconciled on a monthly basis.

**A detailed listing of Inmate reimbursement receivables should be maintained and reconciled to the general ledger on a monthly/quarterly basis.**

As of December 31, 2004, the amount due for inmate housing is not recorded on the County’s accounting records. Although we understand that most of these amounts are uncollectible, to increase controls, the County should maintain a detailed listing of the amount due, billing for the period and collection.

**The method of charging fringe benefits should be changed.**

At the current time, as in the past, the amount charged to any fund and department is based on the budgeted number of personnel and the filing status as of the time the budget is prepared. As a result, staffing level changes, marital status changes, or if the budgeted number of personnel changes, the amount charged to the department does not change.

We recommend that the County investigate whether there is a feasible method of charging health insurance and other fringe benefits based on the actual number of personnel at any time and, also taking into account their status. Certain benefits such as workers’ compensation, unemployment, etc., should be allocated based on actual payroll.

**The County Drains that have a negative cash balance should be rectified.**

During our audit we noted that a number of County Drains were in a negative position at December 31, 2004. It is our understanding of the Drain Code, that if monies are spent before assessments are made or drain notes issued, that the monies must come from the County Revolving Drain Fund. However it is our understanding that the Revolving Fund does not have sufficient funds to eliminate all of the negative balances. We recommend that the County Drain Commissioner either issue drain notes or assess property owner to eliminate the negative cash balances in certain drains.

**The County should close the Substance Abuse Fund.**

Based on our discussions with the Michigan Department of Community Mental Health they require that the P.A 2 monies be deposited in the fund that operates the substance abuse program, and be reported in the final report to the Michigan Department of Community Mental Health. We therefore recommend that in future the P.A 2 monies be forwarded directly to the St. Clair County Health Department and that the Controller's office work with the Substance Abuse Coordinator to close the County Substance Abuse Fund.

**Controls could be improved over the payroll process.**

During our audit we noted that the same employee receives and enters hours worked by the employee, processes payroll checks and related reports, distributes checks and effective signs checks since payroll checks are signed with check signing plates. As a result a number of errors and/or irregularities could occur and go undetected including fictitious employees and changes in pay rates. Good internal accounting controls specify that no one individual should have control over an entire accounting process.

We recommend that controls be segregated so that no one individual has control over the entire payroll process. This should include having someone different then the employee responsible for entering and processing the payroll, responsible for entering all new employee information and pay rate changes.

**Payroll history should not be changed once reports are prepared and filed.**

During our audit it was noted that there were instances where payroll data is modified after monthly and quarterly reports have been filed. Although we understand that errors occur, in most instances, any modification should be handled in the period that the error is noted.

**HEALTH DEPARTMENT –**

**An accounts receivable ledger should be produced at the end of each month.**

The Health Department currently bills for a number of services that are paid by various insurance companies and/or the individual receiving services. As of December 31, 2004 a printout was not available indicating the amount of fees that were still due.

We recommend that a report be printed and maintained at the end of each month.

**Audit entries should be recorded by the Health Department.**

The prior years audit entries have not been recorded by the Health Department. As a result significant adjustments are made at the beginning of the audit to adjust assets, liabilities and fund balance for prior years activity.

We recommend that the audit adjustments be recorded on the Health Department's general ledger so that the internal records agree with the County's audit report.

**RETIREMENT FUND -**

**The wages eligible for retirement contributions varied per three different reports generated by the County.**

During the audit three reports were provided that included what should have been employee wages eligible for retirement contributions. The totals of these three reports varied. Therefore, it was difficult to determine an accurate amount of wages eligible for employer retirement contributions.

We recommend that the Human Resource office review the reports and reconcile to the actual wages eligible for retirement contributions. The reconciliation will provide for a more accurate transfer of employer retirement contributions to the trust account.

**Reserve for Employee Contributions.**

For those employees that are members of the Retirement System, however have not retired, a reserve balance is maintained in the general ledger that represents the accumulation of employee contributions plus interest earned.

Ledger cards are also maintained to accumulate employee contributions plus interest earned per individual employee.

We recommend that the total per the general ledger be agreed to the total of the individual ledger cards at least annually. The computerization of the individual ledger card would assist in the performance of this reconciliation.

**Net assets reserves should be reviewed for utilization.**

The Retirement Board should consider amending the St. Clair County Employees' Retirement Plan to reflect the reserves being utilized. The Plan presents five (5) reserves or net assets when only three (3) of the five (5) are required, and another reserve in use is not mentioned. The reserves currently in use are the Reserve for Accumulated Member Contributions, the Reserve for Pension Payments and the Reserve for Employer Contributions. The Reserve for Undistributed Investment Income and Reserve for Administrative Payments have been combined for reporting into the Reserve for Employer Contributions. The Reserve for Health Benefits has been added to accommodate reporting of post retirement benefits.

This report is intended for the information of management and the Board of Commissioners of St. Clair County, Michigan and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,



June 6, 2005